

Department of Administration  
State Information Technology  
Services Division (SITSD)

Understanding SITSD Rates

March 2015

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Past Issues

- Need for better documentation and justification
  - Legislature need for transparency
  - Office of Budget and Program Planning
  - Agencies
  - SITSD Executives

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Past Issues (cont.)

- Difficulty meeting agency needs with current resources
  - Demand was to do more with less
  - Tight budgets, tough to defend rates
  - Arbitrary cuts in rates without cutting expectations
  - Avoid internal subsidization

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*Voluntary  
22.18*

## Past Issues (cont.)

- No solid definitions of services
  - No detailed Services Catalog
  - Delays in introducing new services
- No ownership by managers
- No expectations from agencies

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## Solution

- ▶ The Financial Transparency Model (FTM) is a standard metric of an organization's capability to plan the full costs of its products and services.

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## FTM

- ▶ The solution is straightforward in concept:
  - It begins with a business plan that forecasts what products and services SITSD will "sell" in the coming year.
  - Based on that business plan, an effective budget then forecasts the full costs of those products and services.
  - Full-cost means not only direct costs, but a fair share of all indirect costs.

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## FTM

FTM is not "Traditional" Budgeting

Deliverables	Expense Codes				
	P/S	Travel	Rent	SW	
	Rate 1	\$	\$	\$	\$
	Project 1	\$	\$	\$	\$
	Service 1	\$	\$	\$	\$
		\$	\$	\$	\$

## FTM

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	\$	\$	\$	\$	\$

## Process

SITSD Budget Unit	Product or Service	Revenue Source	Customer	Unit of Measure	Forecasted Units	Est. Hours
Telecom	New Data Center	General Fund		Hour	150	150
Telecom	Basic Phone	Overhead		Headcount	191	15
Telecom	Video Conf. Bridge	Internal	SITSD Video	Port	20	25
Telecom	Long Distance	Client	MDT	LD Minute	1,600,000	1.25
Telecom	Long Distance	Client	DOA	LD Minute	865,500	.625

Deliverables = Product/Services

## Process (cont.)

### • Agency Input - Interviews

									\$6,586.56
AGENCY	Catalog Item	Expenditure	Budget Client	FY14 Actual Units	Agency Planned for FY16	Annual Rate	UNIT		BUDGET
EXE-DOJ	1140E VOIP Set	ITSD_Voice-62380	DOJ-4110_MVD	2	25	245.77	SET		6,144.34
EXE-DOJ	2008 Basic	ITSD_Voice-62380	DOJ-4110_AG	10	1	110.55	SET		110.55
EXE-DOJ	2008 Basic	ITSD_Voice-62380	DOJ-4110_CSD	27	1	110.55	SET		110.55
EXE-DOJ	2008 Basic	ITSD_Voice-62380	DOJ-4110_GCD	2	2	110.55	SET		221.11

## Process (cont.)

### • Compensation Expenses

- Billable-time ratios
- Total compensation costs
- Forecast hours

## Process (cont.)

### • Other Expenses

- Direct costs
- External indirect costs
- Internal indirect costs
- Overhead costs

## Rates

- Using the same data, the cost of its products and services, we can also calculate rates.
- Rates must represent the full cost of the deliverable.
- By using the full cost data and removing "non-service" costs, SITSD can be confident that its rates are fair and defensible.

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## Goals of FTM

- Service catalog
- Justifiable rates
- Customer focused
- Compliant with OMB Circular A-87
- Enterprise good – Shared Services
- Know impacts of budget cuts

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## Collaboration

SITSD cannot do this alone.

FTM is a **planning** process that requires input and direction from agencies and other customers.

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